Council for Labor & Economic Growth
Quarterly Meeting
Lansing Community College West Campus, MTEC- Conference Center
Monday, November 7, 2005
10:00 a.m. – 2:00 p.m.

MEMBERS PRESENT

Wilma Abney	Thomas Hickner	William Peterson
Derick Adams	David Hollister	Gene Pierce
Kenneth Baker	Robert Jacquart	Hubert Price, Jr.
Richard Blouse, Jr.	Eleanor Josaitis	Trenda Rusher
Harry Bonner, Sr.	Janet Joseph	Michael Schmidt
Michael Bryanton	Mitzi King	Kester So
Matt Brynildson	Jack Litzenberg	Mary Thornton
Patrick Cannon	Frank Lopez	Mitch Tomlinson
Matthew Chambers	Alan Low	John Voorhorst
Richard Dandurand	Juan Mestas	Sharon Wenzl
Bradley Dyer	Myra Moreland	Benjie Williams
Norma Hagenow	Bill Orabone	George Yost
Doyle Hayes	Sharon Parks	J. Michael Zelley
George Heartwell	Sharon Peters	Lynn Zuellig

MEMBERS ABSENT:

E. Sharon Banks	Michael Flanagan	Hari Radheshwar
Michele Barney	Michael Haller	Sharon Rivera
Ralph Bedogne	Dennis Hands	Alan Sanborn
Lloyd Bingman, Ph. D.	John Hernandez	Jaye Shamsiddeen
David Binkley	Win Irwin	Patricia Shimmens
Ted Blashak	Kenneth Meshigaud	Buzz Thomas
Antoon Brusselmans	Shelly Norman-Hill	Marianne Udow
Enrique Carrillo	Janet Olszewski	John Van Wyck
David Eisler	Sherri Peterson	
Christopher Fitch	Phillip Power	

I. CALL TO ORDER

Ms. Sharon Wenzl, Chair, called the meeting to order at 10:15 a.m. Ms. Wenzl thanked the Council Vice-Chair, Mitch Tomlinson, for filling in for her at the previous meeting and acknowledged Director Hollister. Forty-two of the 69 active Council for Labor & Economic Growth (CLEG) members were expected to attend the meeting. The agenda for the meeting is designed around three objectives. A few action items need approval, the Council will hear about and discuss Michigan's Business Climate with a guest speaker, and the Committee Action Plans (CAPs) will be introduced and discussed. The CAPs will provide the framework for CLEG's strategic plan.

II. ACTION ITEMS

Mr. Tomlinson stated the first action item is the approval of the meeting minutes from September 13, 2005. It was noted that on page four of paragraph four the phrase "*stop* investing in public institutions" should state "*start* investing in public institutions." The next action item is the 2006 Meeting Schedule. Dates are subject to change; however it would be wise to reserve the suggested dates. Finally, the Executive Committee worked with staff to develop By-Laws that outline procedures for the operation of the Council.

II. i. APPROVAL OF THE MINUTES

A MOTION was made and SUPPORTED to approve the minutes of the September 13, 2005 meeting with the noted revisions.

II. ii. 2006 QUARTERLY MEETING SCHEDULE

A MOTION was made and SUPPORTED to approve the 2006 Quarterly Meeting Schedule.

II. iii. COUNCIL FOR LABOR & ECONOMIC GROWTH BY-LAWS

A MOTION was made and SUPPORTED to approve the Council By-Laws.

III. MICHIGAN'S BUSINESS CLIMATE

Ms. Wenzl introduced Mr. John McElroy, Principal and Editorial Director of Blue Sky Productions to provide to the Council an objective, close, and in-depth view of what is happening within the automotive industry.

Mr. McElroy stated he would talk about several auto-related topics, including:

- What is going on in the automotive industry
- What is changed and why it has changed so quickly
- How bad and how good it is
- How the automotive industry is doing as a whole
- What may happen in Michigan and what can be done

Mr. McElroy began with an analogy of *A Tale of Two Cities,* the City of Detroit and General Motors (GM). Metropolitan Detroit is a city facing a major economic crisis in the wake of automotive supplier bankruptcies and continued problems within GM and Ford. Metropolitan Detroit is also an area of great opportunity due to its automotive and manufacturing infrastructure. While domestic automakers face industry-altering changes in order to remain profitable, foreign automakers are flourishing in the US market.

At one time, the Big Three were an oligopoly and easily controlled the domestic automotive industry. All costs were passed on to the consumer who did not have many options. Not only are these costs now out of control, in today's market there are many choices for consumers. At the same time, labor unions have maintained absolute power in negotiations. For example, a strike in Flint cost GM two billion dollars to protect an unacceptable work practice called paid piece price basis.

In 2001, Chrysler laid off 21,000 workers, which then produced a ripple effect to other industry-related workers. With this downsizing move, other structural changes and some new good products Chrysler turned the corner and is now a profitable corporation. Relative to size, Ford would then need to lay off 30,000 workers and GM 40,000. Figuring in that one automotive job impacts five others, the ripple effect would force the bankruptcy of not only automotive suppliers, but possibly GM unless dramatic structural changes take place right now.

As bleak as this sounds, the global automotive industry as a whole is doing very well. In one year 100,000 new jobs were created, Toyota posted profits of over 10 million dollars, Nissan/Renault over 9 million, Honda 4.5 million, Ford over 3.4 million and GM 2.8 million. The United States is the largest source of profit for Toyota, Honda, and Nissan. Currently, automotive employment is at an all time peak.

Automotive jobs in Michigan are being lost not necessarily overseas, but to other states, to plants owned by Toyota, Honda, and Nissan. Michigan is now on the threshold of losing tens of thousands more jobs. Ford will make an announcement in January, and GM will likely follow. Millions of dollars in tax revenues will be lost with these jobs and Michigan will be hit by an economic tsunami.

There are several options for leadership in the State of Michigan to pursue to counteract what is happening:

- Lobby for the new Toyota plant to open in Michigan
- Create a user-friendly environment for foreign automakers to do business in our state
- Overhaul Worker's Compensation
- Pursue new technology, such as Intelligent Information Systems
- Help Michigan become the state that manufactures all the new technology and parts new cars will require
- Pursue non-automotive industries such as defense, the medical industry, and the aerospace industry

In order for Michigan's economy to grow, businesses need to open doors in Michigan, whether it's foreign or not. As a State, we should be able to create an investment climate that makes businesses want to locate here and will provide Michigan citizens with good jobs. This will take real leadership and the union publicly stating that it will not try to organize in foreign automotive plants. Mr. McElroy then opened the floor for questions and comments.

Mr. Ken Baker, CLEG member, stated that if you look back in history it has never been cost reduction that has lead to a turnaround rather cost consciousness on the back of a good product. With foreign companies coming here to design it leads to believe that they know us better than we know ourselves as far as consumers. He asked Mr. McElroy if he saw anything on the horizon as far as product for GM, Ford, or Chrysler that would give us hope.

Mr. McElroy indicated that if GM, Ford, or Chrysler had continued to build good products, Toyota would not have had such an impact. In addition, the number one goal of a domestic automaker is to maximize shareholder value while the number one goal of a foreign automaker is to satisfy the customer. This is one of the key failures of GM and Ford. However, it is no longer enough to build a great car. Other obstacles facing GM and Ford are legacy costs, the inability to close unprofitable plants, and the recent discovery that sharing components over multiple platforms on a global basis can cut costs. Domestic automakers are behind their foreign counterparts in this respect and it will take them two or three design generations, or until 2015, to see the results of this cost cutting.

Mr. McElroy was asked to explain his contradiction that foreign automakers were afraid of labor unions when Toyota announced the opening of a new plant in Canada that was unionized under the Canadian Auto Workers (CAW) union which is more militant than the UAW. He stated that there are enough other offsetting factors such as legacy costs, health care, the exchange rate, and more efficient plants in Canada that lead Toyota to accept the union.

Norma Hagenow, CLEG member, noted that saying unions are a stumbling block to bring jobs to our state are fighting words. How do we work together with unions? Mr. McElroy commented that unions need to create value and make unionization attractive so workers want unions. Unions can create value by handling an organization's labor relation issues. There needs to be a paradigm shift in thinking regarding unions.

Mr. Bill Peterson, CLEG member, stated that the UAW would not approach Toyota, Nissan, or Honda and tell them they were not interested in organizing. In the late 1970's, the UAW was instrumental in lobbying for domestic content legislation that was passed by Congress. Without that push, Honda would not have considered unionizing. Honda almost organized, but mistakes were made and it did not happen. If foreign automakers gave workers the opportunity to elect whether they want union representation without threatening their jobs, more foreign plants may be organized. The fact that they are not organized does not mean the workers don't want union representation. There are some foreign plants in the states that are organized. Last year the union organized 25,000 people, the most since the 1950's. One of the reasons Chrysler is doing so well is that the UAW helped them by taking concessions. As an organization the UAW will do the same for Delphi, GM, or Ford.

Mr. Brad Dyer, CLEG member, stated there are multiple generations of workers and retirees. Retirees are living longer and are costing more to maintain. The unions are blamed for the cost difference that automakers have but it actually has to do with the effects of time. In other countries the automakers don't bare as many costs such as health care and a comfortable retirement. These costs are taken out of the equation and union representation is high in these countries. Companies that have generous health care contracts for their workers should be lobbying in Washington to create a national health care plan. Mr. McElroy stated he did not necessarily agree because he hears the same issues in other countries. The entire industrial world faces this problem.

Mr. Frank Lopez, CLEG member, indicated that there is a fear of change and the leadership represented by CLEG and around the state needs to address the strengths of our state, not what is negative.

Director Hollister stated that as Mayor he faced similar challenges when GM was going to pull out of Mid-Michigan. At that time the job multiplier was seven jobs impacted by an automotive job. However, due to creative tax incentives and the skilled workforce, GM built two new plants. That same skilled workforce will give us an advantage with foreign automakers. The State has also worked on Worker's Compensation issues and has lowered costs by 17% in the last two years. In addition, $400 million in grants and loans will be available this year with a focus on homeland security, alternative energy, advanced manufacturing, and life sciences. We need a strategy to promote our state's assets.

Mr. Jack Litzenberg, CLEG member, commented on the impact an auto-related economic tsunami and asked how the US would maintain as a top market when the wage difference is so far apart. Mr. McElroy explained that even though the automotive industry is not shrinking, the US economy is becoming more diversified so the auto industry is not as much of a factor. Since the 1980's the US economy is shifting from an industrial economy towards an information economy. In other areas of our country the economy is growing and the world economy is growing even faster. However, it is a new economy not based on the automotive industry.

Ms. Wenzl thanked Mr. McElroy for his perspective on the automotive industry and stated that as leaders in the State of Michigan CLEG members will play a major part in the intense restructuring of this industry.

IV. COMMITTEE ACTION PLAN PANEL DISCUSSION

Director Hollister stated in August, CLEG's six standing committees were asked to develop Committee Action Plans (CAPs) that outlined at least one long-term and short-term objective in the context of their area of focus and responsibility. The criterion for the recommended objectives includes not only innovation, but also specific, measurable, attainable, results-focused, and timely (SMART).

Individual committee plans will be used to develop a Strategic Plan for the Council as a whole and submitted to the Governor as a CLEG accountability piece. Council members were asked to think about how these action plans: 1) create a culture of innovation, 2) help Michigan workers meet the job needs of the 21st century workforce, and 3) build upon the Governor's current initiatives.

IV. i. WORKFORCE ISSUES FACING KEY INDUSTRY SECTORS

Mr. Jack Litzenberg, Chair, explained the *Workforce Issues Facing Key Industry Sectors* Committee's short-term objective is to create an Industry Human Capital Assessment map of the major workforce issues facing at least four targeted industry sectors. The Committee's long-term objective will be to catalyze solutions to at least one major issue within the health care and/or advanced manufacturing sectors.

IV. ii INCREASING MICHIGAN'S GLOBAL COMPETIVENESS

Ms. Myra Moreland, Chair, stated the *Increasing Michigan's Global Competiveness* Committee's short-term objective is to develop a strategic plan for Michigan aimed at educating and helping the state's small to medium size enterprises (SMEs). The Committee's long-term objective is to develop a marketing plan for Michigan to send out an effective, consistent, unified message about Michigan that can be used by all stakeholders in business, education, economic development, and tourism.

IV. iii. INCREASING EDUCATIONAL ATTAINMENT

Mr. Michael Schmidt, Chair, stated the *Increasing Educational Attainment* Committee's short-term objective will be to focus on targeting adults seeking to complete postsecondary credentials in the *Return to Learn* initiative. The Committee will work with DLEG to create a consistent message and support materials for implementation by the workforce development boards. The Committee's long-term objective is to provide ongoing accountability for implementation of the Cherry Commission's recommendations by creating an Accountability and Accomplishment Matrix that will track all nineteen recommendations.

IV. iv. ACCELERATING RE-EMPLOYMENT/WORKFORCE SYSTEM

Mr. Matt Chambers, Chair, stated the *Accelerating Re-Employment* Committee's short-term objective is a "Business Solutions" strategy to ensure that businesses are aware of the resources available to them--a need identified by the MI Opportunity Partnership Employer Workgroup. The Committee's long-term objective is to develop a Workforce Compact that will implement strategies to develop the skills and knowledge of Michigan's merging and existing talent.

VI. v. CREATING A LOW-WAGE WORKER STRATEGY

Mr. Mitch Tomlinson, Chair, stated that as a short-term objective, the *Creating a Low-Wage Worker Strategy* Committee will engage large and small companies in developing strategies to increase employee retention and advancement. This will include helping employers change their human resource policies, looking at strategies for increasing their investments in training, and providing or connecting low-income employees to key support services that would decrease turnover and provide opportunities for advancement. The Committee's long-term objective is to support the ongoing work of the Workforce Action Network (WAN) through the implementation of Self-Sufficiency Pilots between January 2006 and September 2007--implemented statewide after completion and evaluation of the pilot phase. In addition, another long-term objective of the Committee is to work with the Early Childhood Investment Corporation to support system and policy changes to provide low-wage workers access to affordable and high quality childcare.

IV. vi. CREATING A STATE CULTURE OF ENTREPRENEURISM

Mr. Bill Orabone, Chair, explained the *Creating a State Culture of Entrepreneurism* Committee's short-term objective is the development of a program that uses the State's buying power to build and support markets for small and emerging businesses. The Committee's long-term objective will be to recommend adding an entrepreneurial incentive to the revised MERIT Scholarship consisting of an additional financial reward for students who both complete a two-year entrepreneurial degree program and develop a solid business plan.

Director Hollister led a discussion on how the ideas presented by the six committees were innovative and how they can be measured. Comments included:

- A Workforce Compact that provides for employers and agencies coming together, sharing resources, and making sure synergies are in place is important. The Compact is innovative because it is the first time partners statewide will be able to articulate co-laboring towards common goals. It can be measured by how many entities become involved.

- The fact that our state is a leader in research and development plays into several initiatives already in place. Now we are putting entrepreneurial strategies in place that are measurable to capitalize and revert that research strength into economic growth. This translates into Jobs Today, Jobs Tomorrow.

IX. PUBLIC COMMENT/CLOSING REMARKS

There was no public comment. Ms. Wenzl thanked the Council for their participation, reminded them of the next Council meeting on February 13, 2006 to be held at the Lansing Community College MTEC, and asked the evaluations to be filled out and handed to Ms. Black-Watson.

X. ADJOURNMENT

There being no further business, Ms. Wenzl adjourned the meeting at 2:00 p.m.

In accordance with the Americans With Disabilities Act, the information in these minutes will be made in alternative format (large type, audio tape, etc.) upon request.

Approved February 13, 2006